

Long Island, New York

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

Sublease space continues to flood the market and cause overall vacancy rates to rise, as it accounts for approximately 18% of the Island's total office vacancy. Some of that sublease space could be converted to direct space as sublessors default on leases and space is returned to landlords. Recovery is slow, although tenant activity was slightly up in December. Overall leasing activity is down approximately 40% when compared with the same time period in 2008. New construction activity is virtually non-existent, and recently completed new buildings are offering aggressive incentives for credit-worthy tenants.

Market Trends

- Sluggishness will continue through 1st quarter 2010.
- Asking rents will continue to decrease, though at a slower rate.

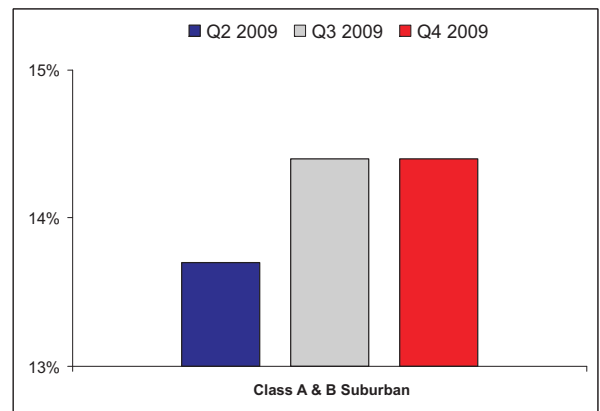
Tenant's Perspective

While many tenants choose short-term (one- to two-year) renewals in current space, this may be a good time for some tenants to lock into longer-term leases with more favorable conditions. Those conditions may not always be lower rent rates, as landlords are still held accountable to pro-formas set by mortgagees. But they can often result in greater concessions, in the form of free rent or tenant improvements. It is still unquestionably a tenant's market, provided the tenant can demonstrate superior credit.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Network Recovery	18,25s6	Office	Renewal
US Customs and Immigration	52,697	Office	Lease
Yale Associates	23,328	Office	Lease
Sovereign Bank	25,000	Office	Renewal

Vacancy Rate



Average Rental Rates

Suburban	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$26.73	\$26.53	\$26.53
Class B Office	\$25.29	\$24.77	\$24.77

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